

TRANSPORTATION REPORT

From: Terry Whiteside

Date: July 14, 2011



Rail Shipper Coalition Issues Letter to Congress on the State of the Captive Rail Shipper 07-14-11

The Alliance for Rail Competition and its members working together with CURE, APPA, ACC, NRECA, National Grain and Feed, EEI, National Industrial Traffic League, National Farmer Union, Tri-State Generation and Transmission and Basin Electric Power Co-operative together with 30 other captive shippers or organizations representing captive shippers issued a letter to Congress on this Railroad Day calling on them to lift railroad antitrust and work to attain increased rail-to-rail competition among the nation's railroad. The following is a copy of this letter.



July 13, 2011

Dear Member of Congress:

We write to you as major customers of our nation's largest freight railroads. We depend on the freight railroads for reliable and reasonably priced transportation that allows us to participate successfully both in the U.S. and global markets. In 1980, Congress deregulated freight railroads in competitive transportation markets, while retaining regulatory oversight of the railroads to ensure that rail customers without access to transportation competition receive reasonable prices and adequate service. Today, the railroads have consolidated into a few major national systems and have returned to robust financial health.

Unfortunately, up to 40% of the nation's rail freight, by weight, is not enjoying the benefits of railroad transportation competition. American industries that rely on railroads to move their product, and have no access to railroad competition, have experienced significant rate increases throughout the recent deep recession, often have suffered from indifferent service and, in addition to high rates, have experienced the transfer to rail customers of many costs that traditionally have been paid by the railroads. These transportation problems adversely affect our ability to compete in domestic markets against foreign imports, access the export market, sustain current jobs and create new American jobs, and protect our consumers from undue price increases.

We are experiencing these problems because the rail-to-rail competition that was supposed to occur after deregulation has failed to materialize. The combination of over-consolidation of the nation's major freight railroads and a regulatory program that protects the railroads from rail-to-rail competition has led to this result. Faced with no viable rail competition, even the largest manufacturing companies in our nation must approach the

Surface Transportation Board (STB) for relief from high “captive” rail rates. At a STB hearing on June 23, rail customers testified that, due to the railroad practice of bundling rates and the requirement that the shipper must pay tariff rates while they are being challenged, it can cost up to \$20 million to seek rate relief from the federal regulator.

The major freight railroads steadfastly refuse to even acknowledge that any of their customers are having problems with their railroad rates and their service. Meanwhile, freight railroads enjoy broad immunity from the nation’s antitrust laws and have blocked recent Congressional efforts to enact bipartisan compromise regulatory reform legislation - legislation the major railroads helped to negotiate.

Earlier this year, the STB launched its own effort to review the level of competition in the rail industry and, if justified, adopt more pro-competitive policies that are authorized under current law. During two days of hearings before the STB, which included compelling testimony from many rail customers about problems with the current rail system, railroad witnesses refused to acknowledge any problems and refused to consider any changes to the current regulatory system.

As you listen to freight railroad pleas to retain their antitrust exemptions and regulatory protections, please recognize that our companies and the American economy are being adversely affected - even to the point of shutting down U.S. plants - by certain railroad practices. These practices can be curbed through reasonable pro-competitive modifications of the current regulatory program that will not undercut railroad financial health.

Thank you for your critical attention to this issue.

Sincerely,

ALLETE/Minnesota Power
Alliance for Rail Competition
American Chemistry Council
American Coalition for Ethanol
American Forest & Paper Association
American Public Power Association
Arizona Electric Power Cooperative Badger
CURE
Basin Electric Power Cooperative
Grand Canyon State Electric
Cooperative Association
Heartland Consumers Power
District
Iowa Association of Electric
Cooperatives
Lafayette (Louisiana) Utilities
System
Lincoln Electric System
Manufacture Alabama
Minnesota Grain and Feed

CoBank
Consumers United for Rail Equity
Cooperative Network
DuPont Company
Dynergy
East River Electric Power Cooperative
Edison Electric Institute
Electric Cooperatives of Arkansas
Florida Electric Cooperative Association
Association
Minnesota Rural Electric Association
Missouri River Energy Service
National Association of State Utility
Advocates
National Farmers Union
National Grain and Feed Association
National Industrial Transportation
League
National Rural Electric Cooperative
Association

Ohio Chemistry Technology
Council
Portland Cement Association
PPG Industries, Inc.
Seminole Electric Cooperative,
Inc.
South Carolina Electric and Gas
Company
South Mississippi Electric
Power Association
Texas Municipal Power Agency
Tri-State Generation and
Transmission Association Inc.